

Discussion of

“Seeing is not believing: Strategic pollution suppression around corporate site visits”

Qiang Cheng
May 2026, ABFER

Summary of the paper

- RQ: do firms temporarily suppress air pollution during investors' site visits?
- Key findings:
 - There is a temporary drop in air pollution in the three days before and on the day of site visits.
 - Typical practices before and during important national or regional meetings.
 - The results are stronger for
 - Firms in high pollution industries
 - Firms with higher Tobin's Q
 - Firms with better governance
 - Firms cut emissions via increased abatement activities.

Strength of the paper

- Unique data
 - Daily air pollution level at the facility level
 - Using thermal infrared data to infer the level of production
- Comprehensive analysis: investigating
 - What do firms do?
 - Why do they do it?
 - How do they do it?

Comment #1 – Better articulate the contribution

- Zou (2021): “Unwatched pollution”
 - Zou finds that firms suppress emissions on days of monitoring by regulators.
 - Very similar argument and findings as this paper

Comment #2 – Refining empirical analyses

- Are the cross-sectional analyses distinct from each other?
 - High pollution industries: power, iron and steel, cement, coal ...
 - Do they have lower Tobin's Q and lower E ratings than firms in other industries?
- Provide descriptive statistics on conditional variables used in cross-sectional analyses
 - E.g., different types of visitor type, the percentage of visits with PRI signatories
- Abatement activities
 - Firms discussing abatement activities in annual reports might have different levels of air pollution.
 - Comparing the coefficients might yield inappropriate inferences.

Comment #3 – To better explain the counter-intuitive results: “Better” firms doing worse?

- The results (suppressing pollution) are stronger for firms with better governance (higher G rating, larger CEO compensation, higher institutional ownership).
 - “High governance implies strict internal controls and rigorous shareholder monitoring. Managers in these firms are subject to greater discipline...”
- If so, these firms should have lower pollution level in the first place, and the level of suppressed pollution should be lower.
- Also, misleading shareholders is a manifestation of agency conflicts, and this issue should be less prevalent in better-governed firms.

Comment #4 – What do investors care?

- The underlying assumption in the paper: investors care about firms' environmental performance because poor environmental performance can reduce valuation.
 - “pollution could expose operational weakness”
 - “a ‘dirty’ site visit could puncture the growth narrative”
- The assumption needs to be validated.
- Also, the argument implies that the results should be stronger when investors are more environmental conscious (e.g., PRI signatories), which is not the case based on results.

Comment #5 – An alternative explanation

- What is main purpose of site visits?
 - To better understand the operations and to obtain mosaic information that can help predict firms' future performance
 - Environmental performance is usually not their focus.
- How do firms present themselves during site visits?
 - To provide a clean and pleasant environment so that investors and analysts can enjoy the visit
 - 扫榻相迎
 - Such incentives are stronger when important stakeholders (e.g., shareholders) are coming.
 - Pollution can also affect investors' mood and hurt valuation.
 - Dong, R., R. Fisman, Y. Wang, and N. Xu. 2021. Air pollution, affect, and forecasting bias: Evidence from Chinese financial analysts. *Journal of Financial Economics* 121 (3): 971-984.

Comment #5 – Minor points/suggestions

- The sample size is too big.
 - There are 30,948 site visits.
 - $2366 \text{ sites} \times 365 \text{ days} \times 8 \text{ years} = 6,908,720$, 223 times the number of site visits, , potentially inflating t-stat.
 - → using the short window around site visits to evaluate the impact of site visits.
- Hard vs. soft information
 - They refer to specific types of information in the literature.
- Interpretation of “agency issues”
 - Real activity management is still a manifestation of agency issues. It can mislead existing investors.
- Visit intensity
 - It might simply capture the effect of the existence of site visit.
 - To examine the incremental effect of visit intensity beyond the existence of site visits.

Good luck with the paper

&

Thank you!



School of
Accountancy